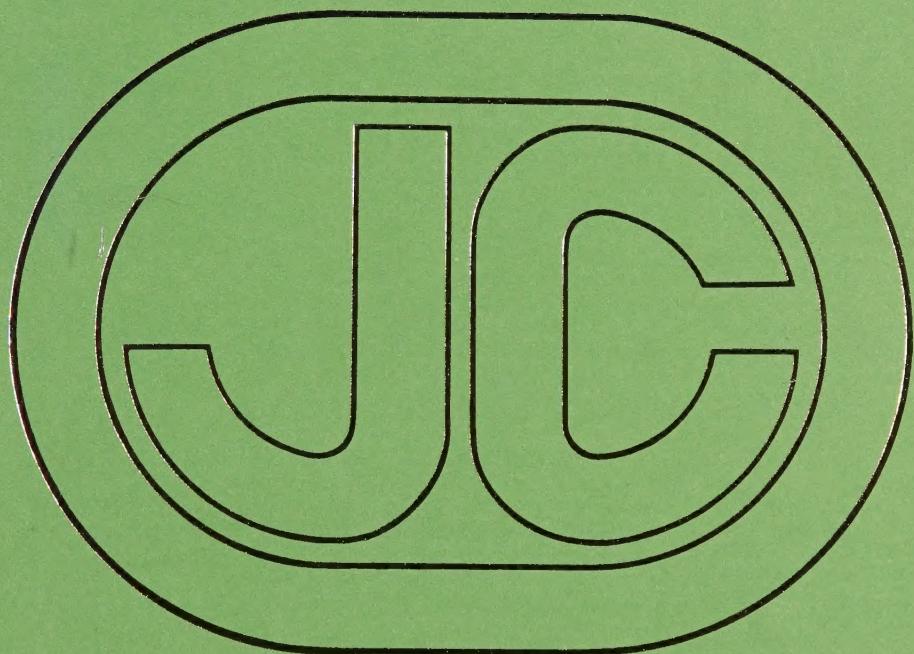


The Ontario Jockey Club

ANNUAL REPORT FOR THE YEAR ENDED DECEMBER 31, 1979





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Annual Report of the Board of Trustees

The Trustees of The Ontario Jockey Club present herewith the Corporation's consolidated financial statements and report of the auditors for the year ended December 31, 1979.

Results of Operations

Income and expenses increased from the previous year by 9.8% and 8.7%, respectively. The Corporation realized income after expenses but before purses of \$24,219,000, of which \$21,830,000 was paid in purses to horse owners, leaving income for the year of \$2,389,000. This income plus expenses not involving an outlay of cash provided \$3,952,000 of the \$5,166,000 required to pay for the Corporation's capital expenditures and to repay long-term debt.

An additional amount of \$3,976,000 was distributed in purses at the Corporation's race tracks as part of the Ontario Government's race tracks tax-sharing arrangement. Of this amount, \$3,453,000 was distributed by the Corporation, on behalf of the Provincial Government, by way of purse supplements. The balance was distributed, through the Ontario Racing Commission, directly to the owners of harness horses participating in the Ontario Sire Stakes Series. The tax-sharing arrangement provides for the allocation to this "self-help program" of one-seventh of the Government's revenue from the tax on pari-mutuel wagering. Such Government revenue amounted to \$48,730,000 in 1979, of which \$32,445,000 was in respect of the Corporation's racing operations.

Average daily wagering at the Corporation's thoroughbred and harness race meetings increased by 5.7% and 10.6%, respectively. Average daily attendance decreased at thoroughbred meetings by 1.5% and increased at harness meetings by 4.5%.

The introduction of the Triactor form of wagering during the year proved extremely popular, contributing significantly to wagering increases and, in the case of harness racing, to increased attendance. Factors in addition to Triactor wagering which contributed to improved attendance at harness meetings were an improved quality of racing, a realignment of racing dates between Greenwood and Mohawk and renovations to the Greenwood grandstand and clubhouse. The slight decrease in attendance at thoroughbred meetings was attributable to the operations of Fort Erie Race Track and is a matter of concern to the Trustees.

Prices

Parking charges at all race tracks and the price of programs for harness racing were increased in the spring of 1979.

Racing Dates

Racing dates for 1980, which parallel closely the 1979 pattern, have been approved as follows:

<i>Thoroughbred racing</i>	<u>1980</u>	<u>1979</u>
Woodbine - - - -	112	112
Greenwood- - - -	66	69
Fort Erie- - - -	54	54
	<u>232</u>	<u>235</u>
<i>Harness racing</i>	<u>1980</u>	<u>1979</u>
Greenwood- - - -	145	150
Mohawk- - - -	123	121
	<u>268</u>	<u>271</u>

Capital Expenditures

In the 1978 Annual Report, it was stated that the 1979 capital expenditure program would include approximately \$1,000,000 for the first phase of an extensive renovation of the grandstand and clubhouse facilities at Greenwood and approximately \$700,000 towards turf course reconstruction at Woodbine. The first phase of the Greenwood renovations has been completed. As a result of a deterioration in the main track at Woodbine, constructed 25 years ago, the Trustees decided to defer the turf course reconstruction in favour of rebuilding the main track during August 1979, at a cost of \$411,000.

The estimated cost of the Corporation's 1980 capital expenditure program is \$3,200,000. Major expenditures in this program include \$575,000 for improved stabling at Woodbine and \$626,000 for the second phase of renovations to the Greenwood grandstand and clubhouse. Also included in the 1980 capital expenditure program are improvements to the thoroughbred racing surface at Greenwood, required to make it a more reliable course for late autumn and early spring racing. However, a final decision regarding the Greenwood racing surface will not be made until a report has been received from engineering consultants.

Outlook

The Corporation's objective is to conduct high quality horse racing upon race tracks which provide superior facilities for both the public and horsemen. This objective must, however, be pursued in a prudent and responsible manner, having regard to the Corporation's financial obligations and future capital expenditure requirements. It was in this context and with a clear acknowledgment that higher purses

are an urgent necessity that the Corporation recently conducted a lengthy negotiation with the associations representing the owners and trainers of thoroughbred and harness horses. The negotiation concluded in a five-year arrangement which provides for an increase in purse distribution from 47% of the Corporation's income from wagering in 1979 to 48% in 1980, 49% in 1981 and 50% in each of the remaining years. The Trustees are hopeful that, with the stability provided by this settlement, all industry sectors will now direct their energies in a joint effort towards resolving the fundamental economic problem confronted by the racing industry, which is the need for expansion of the revenue base.

In previous Annual Reports, the Trustees have stressed the need, in all sectors of the industry, for expanded revenues to offset rising, uncontrollable costs. This need has never been greater than it is now. The Trustees remain convinced that the industry's financial difficulties could be alleviated through the introduction of an off-track betting system which would broaden the revenue base of horse racing. In addition, legalized off-track betting would assist efforts to control criminal bookmaking activity, generate substantial new revenues for provincial governments and provide many new employment opportunities. Accordingly, the failure of the Government of Canada to introduce legislation which would permit implementation of off-track betting continues to be a matter of extreme concern.

Trustees

It is with deep regret that we record the deaths during 1979 of The Right Honourable Viscount Hardinge, Mr. H. J. Carmichael and Mr. J. E. Frowde Seagram, each of whom gave many years of invaluable service on our Board.

Mr. E. P. Taylor retired from the Executive Committee on May 2, 1980 and will continue to serve as a Trustee and as Honorary Chairman of the Board of Trustees.

Mr. F. M. McMahon resigned from the Board on June 9, 1979. Mr. C. J. Jackson and Mr. G. Douglas Zimmerman were elected Trustees on July 21, 1979. Mr. John H. Kenney was appointed to the Executive Committee on December 3, 1979. On May 2, 1980, Dr. M. Elizabeth Forbes, Mr. Ernest L. Samuel and Mr. D. B. Weldon were elected Trustees and Mr. C. P. B. Taylor was appointed to the Executive Committee.

On behalf of the Board of Trustees,
CHARLES BAKER, Chairman.

Toronto, May 2, 1980

The Ontario Jockey Club

(a corporation without share capital incorporated under the laws of Ontario)

AND ITS SUBSIDIARY COMPANIES

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1979

(with comparative figures for the year ended December 31, 1978)

	1979	1978
in thousands of dollars		
Income:		
Commission on pari-mutuel wagering	\$46,378	\$42,374
Food and beverage	8,581	7,827
Admissions	7,811	7,530
Programs, parking and other	4,403	3,431
	67,173	61,162
Expenses:		
Salaries and wages	17,585	16,430
Other direct operating expenses—		
Pari-mutuel	3,208	2,906
Food and beverage	3,613	3,195
Admissions, programs, parking and other	3,706	2,984
Maintenance expenses	3,762	3,283
Property taxes	3,230	3,021
Depreciation (note 2)	1,348	1,235
Administrative expenses	1,048	867
Interest on long-term debt	5,454	5,595
	42,954	39,516
Income before purses	24,219	21,646
Purses (note 3)	21,830	19,557
Income for the year	\$ 2,389	\$ 2,089
Taxes on wagering and admissions collected for taxation authorities	\$35,018	\$32,341

(See accompanying notes)

Consolidated Statement of Surplus and Appropriation

FOR THE YEAR ENDED DECEMBER 31, 1979

(with comparative figures for the year ended December 31, 1978)

	1979	1978
		in thousands of dollars
Surplus, beginning of the year.	\$3,238	\$1,149
Income for the year	2,389	2,089
	5,627	3,238
Appropriation	850	850
Balance, end of the year.	\$6,477	\$4,088

(See accompanying notes)

Auditors' Report

To the Members of The Ontario Jockey Club:

We have examined the consolidated balance sheet of The Ontario Jockey Club as at December 31, 1979 and the consolidated statements of income, surplus and appropriation and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the corporation as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles for non-profit organizations applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 4, 1980.

Clarkson Gordon
Chartered Accountants

Consolidated Balance Sheet

DECEMBER 31, 1979

(with comparative figures at December 31, 1978)

	1979	1978
in thousands of dollars		
Assets		
Fixed assets, at cost (note 2):		
Buildings and equipment	\$47,988	\$45,591
Less accumulated depreciation	8,219	6,887
	39,769	38,704
Land and land improvements	26,012	26,012
	65,781	64,716
Other assets:		
Cash	748	995
Accounts receivable	218	159
Prepaid expenses (note 4)	1,075	1,248
	2,041	2,402
	\$67,822	\$67,118
Liabilities		
Long-term debt (notes 5 and 6)	\$52,031	\$54,762
Other liabilities:		
Current bank indebtedness	2,445	1,788
Accounts payable and accrued charges (note 7)	4,790	4,387
Accrued bond and debenture interest	2,079	2,093
	9,314	8,268
Surplus and appropriation	6,477	4,088
	\$67,822	\$67,118

Approved on behalf of the Trustees:

Charles Baker, *Trustee*

John H. Kenney, *Trustee*

(See accompanying notes)

Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED DECEMBER 31, 1979

(with comparative figures for the year ended December 31, 1978)

	1979	1978
in thousands of dollars		
Cash provided:		
From operations—		
Income for the year	\$2,389	\$2,089
Add items not involving an outlay of cash:		
Depreciation	1,348	1,235
Amortization of totalisator costs	193	193
Amortization of bond discount	22	26
Cash from operations.	3,952	3,543
Increase in accounts payable and other accrued charges.	389	30
Total cash provided	4,341	3,573
Cash expended:		
Purchase of fixed assets	2,413	1,341
Repayment of long-term debt	2,753	2,517
Increase in accounts receivable and prepaid expenses.	79	29
Total cash expended	5,245	3,887
Decrease in cash during the year.	904	314
Net bank indebtedness, beginning of the year	793	479
Net bank indebtedness, end of the year	\$1,697	\$ 793
Represented by:		
Current bank indebtedness	\$2,445	\$1,788
Less cash	748	995
	\$1,697	\$ 793

(See accompanying notes)

Notes to the Consolidated Financial Statements

DECEMBER 31, 1979

1. Accounting principles

The Ontario Jockey Club, a corporation without share capital, operates as a non-profit organization and has adopted the following accounting principles:

- (a) The accounts of all subsidiary companies are consolidated with those of the corporation.
- (b) All revenues and expenses are accounted for on the accrual method of accounting.
- (c) Fixed asset additions are capitalized on the books of the corporation and depreciated over their estimated useful lives on the straight-line method as shown in note 2.

2. Buildings, equipment and depreciation

A summary of the corporation's buildings and equipment, together with accumulated depreciation and the annual rates of depreciation written on a straight-line basis, is set out below:

	1979			1978 Net	Rates of depreciation
	Cost	Accumulated depreciation	Net		
in thousands of dollars					
Buildings	\$33,406	\$ 4,509	\$28,897	\$28,867	2%—2½%
Racetracks, roads, parking lots, etc.	9,248	1,070	8,178	7,381	2%—2½%
Machinery and equipment	5,334	2,640	2,694	2,456	10%—20%
	<u>\$47,988</u>	<u>\$ 8,219</u>	<u>\$39,769</u>	<u>\$38,704</u>	

3. Purses

Grants distributed to owners of horses on behalf of the Provincial Government, totalling \$3,453,000 in 1979, have not been included in the accompanying financial statements.

4. Prepaid expenses

Prepaid expenses include \$515,000 relating to the unamortized portion of installation and development costs of the new totalisator system. This balance will be written off over the remaining 32 months of the five-year term of the current totalisator contract.

5. Long-term debt

Long-term debt consists of:

	1979	1978
in thousands of dollars		
First mortgage sinking fund bonds:		
7% Series C, due November 15, 1980	\$ 900	\$ 1,020
6¾% Series D, due May 1, 1982	1,136	1,259
6¾% Series E, due November 15, 1983	1,260	1,380
9¼% Series F, due July 15, 1988	4,500	4,650
11½% Series G, due December 1, 1989	5,280	5,520
	13,076	13,829
Less unamortized discount	68	90
	13,008	13,739
Term bank loan with interest at a rate of ½% above the prime bank rate, due June 30, 1980	3,000	5,000
10% Secured Debentures, due January 1, 1992	36,023	36,023
	<u>\$52,031</u>	<u>\$54,762</u>

The first mortgage sinking fund bonds are secured by a first, fixed and specific mortgage on the fixed assets and a first floating charge on the remaining assets. The corporation has given a demand note for the term bank loan. The 10% Secured Debentures are subordinated to the term bank loan and secured by a second mortgage on the fixed assets and a second floating charge on the remaining assets of the corporation.

Loan repayments during the next five years on long-term debt are as follows:

	in thousands of dollars
Year ending December 31, 1980	\$4,556
Year ending December 31, 1981	720
Year ending December 31, 1982	1,500
Year ending December 31, 1983	1,380
Year ending December 31, 1984	480

6. Debenture restrictions

The deed of trust and mortgage and indentures supplemental thereto securing the corporation's first mortgage bonds and the deed of trust and mortgage under which the 10% Secured Debentures were issued contain a condition related to earnings as to the purchase for cancellation or redemption of, or payment of interest on, the corporation's 10% Secured Debentures. At January 1, 1980 the amount available for such payments under the condition related to earnings was approximately \$9,190,000.

7. Accounts payable

Included in accounts payable is the amount of \$808,000 relating to an agreement for the sale of certain land at Woodbine Race Track. Most of this amount represents a deposit which is refundable if the transaction is not completed for certain reasons, including the failure to obtain satisfactory rezoning.

8. Garden City Raceway

Racing has not been conducted at Garden City Raceway since 1977. This property has been listed for sale and it is not anticipated that any loss will result from its disposition.

9. Comparative figures

Certain items in the comparative figures on the balance sheet and statements of income and changes in financial position have been regrouped to conform with the 1979 method of presentation.

10. Remuneration of management

Trustees, as such, received no remuneration for their services. The aggregate direct remuneration paid or payable by the corporation to its senior officers for the year was \$378,000.

Trustees

H. C. ARMSTRONG
President, Armstrong Holdings (Brampton) Limited,
Inglewood

CHARLES BAKER
Chairman of the Board

DOUGLAS BANKS
Don Mills

C. F. W. BURNS
Honorary Chairman, Burns Fry Limited, Toronto

A. M. CUDDY
President, Cuddy Farms Limited, Strathroy

C. R. DIEBOLD
Senior Partner, Diebold & Millonzi, Buffalo, N.Y.

DR. M. ELIZABETH FORBES
Consultant Radiologist
Women's College Hospital, Toronto

D. G. FORMAN
Administrative Vice-President, Buffalo Sabres, Buffalo, N.Y.

GEORGE C. FROSTAD
Chairman of the Board, Mediavision Inc., Toronto

GEORGE R. GARDINER
Chairman of the Board, Gardiner, Watson Limited, Toronto

W. PRESTON GILBRIDE
Chairman of the Board, The Grafton Group Limited, Toronto

GEORGE C. HENDRIE
Honorary President
Chairman of the Board, Hendrie and Company, Limited
Toronto

C. J. JACKSON
Chairman of the Board, Mussens Equipment Ltd., Lachine

JOHN H. KENNEY
President

J.-LOUIS LÈVESQUE
Chairman of the Board,
Levesque, Beaubien Incorporated, Montreal

D. A. McINTOSH, Q.C.
Partner, Fraser & Beatty, Toronto

WARD C. PITFIELD
President and Chairman of the Board,
Pitfield Mackay Ross Limited, Toronto

M. D. RICHARDSON
Consultant, Reed Stenhouse Limited, Toronto

WOLFGANG von RICHTHOFEN
Farmer, Campbellville

ERNEST L. SAMUEL
President, Samuel, Son & Co. Ltd., Mississauga

F. H. SHERMAN
President and Chief Executive Officer,
Dominion Foundries and Steel, Limited, Hamilton

CONN SMYTHE
Toronto

C. P. B. TAYLOR
Writer, Toronto

E. P. TAYLOR
Honorary Chairman of the Board

D. B. WELDON
Chairman of the Board, Midland Doherty Limited, Toronto

D. G. WILLMOT
Chairman of the Board,
The Molson Companies Limited, Toronto

G. DOUGLAS ZIMMERMAN
Chairman of the Board, Ahearn and Soper Limited, Rexdale

Executive Committee

CHARLES BAKER, Chairman

H. C. ARMSTRONG

C. F. W. BURNS

GEORGE C. FROSTAD

GEORGE R. GARDINER

GEORGE C. HENDRIE

JOHN H. KENNEY

C. P. B. TAYLOR

D. G. WILLMOT

Audit Committee

D. A. McINTOSH, Q.C., Chairman

A. M. CUDDY

W. PRESTON GILBRIDE

Officers

CHARLES BAKER
Chairman of the Board

JOHN H. KENNEY
President

GEORGE C. FROSTAD
Vice-President

GEORGE R. GARDINER
Vice-President

D. G. WILLMOT
Vice-President

ROLAND B. ROBERTS
Vice-President—Finance

ROBERT D. MIDGLEY
Vice-President—Standardbred Division and Administration

ERWIN F. KLUGMAN
Vice-President—Thoroughbred Division

ERIC A. ASTROM
Vice-President—Marketing

GRAHAM METCALFE, C.A.
Secretary and Treasurer

Solicitors

FRASER & BEATTY
Toronto

Auditors

CLARKSON GORDON
Toronto

Trustee for First Mortgage Bonds

NATIONAL TRUST COMPANY, LIMITED
Toronto, Montreal, Winnipeg, Edmonton,
Calgary and Vancouver

Trustee for 10% Secured Debentures

MONTRÉAL TRUST
Toronto, Montreal, Winnipeg, Regina,
Calgary and Vancouver

